

WEEKLY MARKET UPDATE

25th October, 2020

OVERVIEW

- ➔ U.S. 30 Year Mortgage Rate Falls to Record Low 2.80%.
- ➔ U.S. Initial Jobless Claims Fall for Third Time in Four weeks.
- ➔ UK PMI Readings Points to an Economy Losing Steam.
- ➔ Dubai Launches AED500 mln Economic Stimulus Package.

ECONOMIC CALENDER

The coming week

Monday

Germany – IFO Business Climate Surv: 96.5

US – New Home Sales Surv: 1025k

Tuesday

Eurozone – M3 Money Supply YoY – Surv: 9.6%

US – Durable Goods Orders Surv: 0.5%

WEDNESDAY

US – MBA Mortgage Applications

Canada – Bank of Canada Rate Decision Surv: 0.25%

THURSDAY

US – Initial Jobless claims Surv: 780k

Friday

Eurozone – GDP SA YoY Surv: -7.0%

INTERNATIONAL MARKETS

US:

Mortgage rates slipped to yet another all-time low in the week ending 22nd October. Following a 6 basis point fall in the week prior, the 30-year fixed rate fell by 1 basis point to 2.80%. Compared to this time last year, 30-year fixed rates were down by 95 basis points. 30-year fixed rates were down by 214 basis points since November 2018's most recent peak of 4.94%. Economic data was on the lighter side in the 1st half of the week. Stats were limited to housing sector data for September, which was skewed to the positive in the week. Building permits jumped by 5.2%, reversing a 0.5% fall in August, with housing starts rising by 1.9%. In August, housing starts had slumped by 6.7%.

On another note, The number of Americans filing for unemployment benefits fell for the third time in four weeks, suggesting the labor market is still gradually recovering while remaining far from its pre-pandemic health. Initial jobless claims in regular state programs declined to 787,000 in the week ended Oct. 17, according to Labor Department data Thursday. Without adjustments for seasonal fluctuations, claims dropped by about 73,000.

U.S. 30 Year Mortgage Rate Falls to Record Low 2.80%



Source: Bloomberg

EQUITY INDEX	Price	5days change %
Dow Jones	28,336	-0.95
S&P 500	3,465	-0.53
Euro Stoxx	3,199	-1.44
FTSE 100	5,860	-1.00
CAC 40	4,910	-0.53
DAX	12,646	-2.04
NIKKEI	23,517	0.45
Shanghai	3,278	-1.75
SENSEX India	40,686	1.76
Turkey N100	1,191	-0.18

COMMODITY	Price	5days change %
WTI	39.7	-2.52
BRENT	41.6	-2.70
GOLD	1902	0.15
Copper 3M	6868	1.89
Corn	420.0	4.29

FX Spot	Week Closing	5days Change %
EUR	1.1860	1.21
GBP	1.3040	0.96
JPY	104.72	0.66
CAD	1.3126	0.49
CHF	0.9044	1.16
AUD	0.7139	0.82
CNY	6.6867	0.16
INR	73.61	-0.35

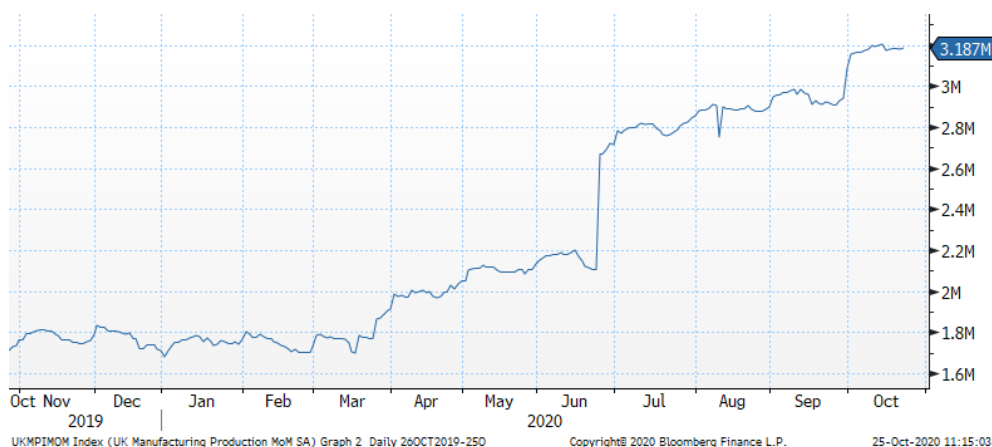
RATES	USD swap	AED swap
2 Year	0.24	0.65
5 Year	0.45	1.18
7 Year	0.63	1.47
10 Year	0.87	1.91

EUROPE:

There's so much cash in Europe there are just not enough bonds to go around. The amount of spare liquidity in the euro-area economy hit an all-time high of EUR 3.2 trillion (USD 3.8 trillion) this month and plenty of that is chasing any new debt issue. This was seen in the record EUR 233 billion of orders for the European Union's debut social bonds.

UK flash composite PMI reading for October dropped to 52.9 from 56.5 in September. Whilst Consensus centered on 54. The services measure dropped to 52.3 (consensus: 53.9) from 56.1. The manufacturing PMI hit 53.3 (consensus: 53.1), compared with 54.1 in September. The PMI has struggled to capture the swings in output over the past six months. But if the PMI maintains its October level over November and December, the gauge would be consistent with growth of 0.3%.

Record levels of spare cash in the Euro-area are in search of returns.



Source: Bloomberg

ASIA:

China: China's central bank governor reiterated the nation's commitment to further opening up its financial sector and lowering market barriers to foreign investors. "The new development pattern is not to close the door and to operate in isolation," People's Bank of China Governor Yi Gang said in a speech at the 2020 Bund Summit in Shanghai on Saturday. "Rather it is to make better use of the markets and resources at home and abroad so as to achieve a more robust and sustainable development."

Japan: Japan's key consumer prices fell at a slightly slower pace in September but failed to log gains for a sixth straight month with economists expecting worse to come over the coming months. A gauge of prices excluding fresh food fell 0.3% from a year earlier, largely reflecting the impact of government travel subsidies, following a 0.4% drop in August, the ministry of internal affairs reported Friday. Analysts had forecast a 0.4% decline. The result comes ahead of a meeting next week where the Bank of Japan will give its latest inflation forecasts. While the latest data may help ease concerns of a descent into longer-term deflation for the time being, additional factors are expected to weigh on prices from next month.

GCC / MENA Indices

	Closing Level	5 days change%
ADX Index	4557	0.27
DFM Dubai	2186	0.33
Tadawul	8505	-1.21
Qatar EX	9958	-0.93
Kuwait Main	4402	-1.13
Egypt EGX 30	10987	-2.96

SOVEREIGN 5 Year CDS

	Current Level	1month ago	3month ago
ABU DHABI	42	55	53
BAHRAIN	346	352	309
BRAZIL	212	250	223
CHINA GOV	37	51	44
DUBAI	139	158	179
EGYPT	422	450	438
FRANCE	18	19	20
GERMANY	11	11	12
GREECE	144	146	155
ITALY	157	158	153
TURKEY	514	543	491
JAPAN	18	18	18
OMAN	472	466	450
QATAR	42	55	51
RUSSIA	94	130	92
SAUDI	72	99	87
SPAIN	57	56	68
UK	20	21	24
USA	16	18	18

MONEY MARKET

TENOR	LIBOR	EIBOR
3M	0.22	0.45
6M	0.25	0.65
12M	0.34	0.81

AED FX Forward

	Mid Forward Points
1 week	+0.025
1 month	+0.500
3 month	+2.500
12 month	+25.000

COMMODITIES

Oil and gas output in Norway may peak by the middle of this decade, according to Rystad Energy. A 20% jump in the number of producing fields in the next few years may help drive supply to as much as 4.8 million barrels of oil equivalent a day by 2026. China's imports of U.S. crude reached a record high in September as Beijing stepped up the pace of its commodities purchases to meet the terms of its phase-one trade deal with Washington.

Gold looks to stimulus for one way ticket to USD 2000



GCC Market & Mena Region

UAE: Dubai plans to offer AED 500 million(USD 136 million) of aid for businesses hit by the coronavirus crisis. The package, which will consist of rent breaks and the elimination of government fees and fines for some businesses, will bring total government support to AED6.8 billion.

Saudi Arabia: Saudi Arabia's annual inflation rate fell back in September after jumping following the tripling of value-added-tax, central bank data showed, SAMA said on Friday. Inflation was 5.7% in September versus 6.2% in August and 6.1% in July, when the VAT hike came into effect.

Egypt: The chairman of Commercial International Bank SAE stepped down from his post after the central bank raised concerns over the governance of Egypt's biggest listed lender.

Source: Bloomberg



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